

Remarks of
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to the

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We face some tremendous challenges in health care as we enter the 1990s. We find ourselves at the end of a decade with nearly 37 million people without access to affordable health care. We find ourselves faced with a system of employer-based health insurance with more and more holes in it. We find that AIDS is straining our healthcare system and revealing all of its deficiencies and problems. We have a public hospital system that is so overburdened that in some of our cities it is commonplace to find people being treated in hallways or simply being turned away at the door. And we are faced with an aging population that will find no adequate program of long term care.

It is tragic that in a country that spends more of its GNP on healthcare than any other industrialized nation, we have an infant mortality rate higher than some developing countries,

children who never see a doctor and state governors that ask us not to push for Medicaid solutions to these problems.

So what do we do? The time has come to address these issues instead of hoping they will fix themselves. The last decade has shown us that our health care problems are getting worse, not better. Serious concerns are growing about the future of our private, employment-based system of health care coverage.

For their part, the largest employers tell us the health insurance system hasn't worked for them. They tell us emphatically, by turning almost entirely to self-insurance. They did so in the hopes of getting their costs under control. In addition, they had the benefit of getting out from under state health benefit mandates.

It's not at all clear to me yet whether the large employers are fully satisfied with the results of self-insurance, since we hear increasing calls from them for some form of national health

insurance. I think we need to listen carefully to them and look more closely at their experience.

What is becoming apparent to me is that there is a message about our insurance system to be learned from the expansion of self-insurance, although I'm not completely sure just what that message is. Somehow the major insurance companies have learned to live with the loss of the lion's share of their "jumbo" clients to self-insurance. The insurance companies do run administrative service contracts and managed care programs for their self-insured clients. In one sense, they haven't given up anything except the risk.

I'm beginning to wonder whether the lesson to draw from this is that the insurance companies are not so wedded to traditional concepts of insurance as we had thought. I would hardly expect insurance companies to accept a complete phase-out in this country, as was done in Canada. Nevertheless, perhaps we needn't be so sure that insurance companies would not be able to

adjust to a substantially different role in a new system of comprehensive health care coverage. For example, perhaps there is a way that public entities could provide coverage in the way that large companies self-insure.

Owners and employees of small businesses also tell us that the current insurance system is not working. They do not have the option to self-insure as individual businesses. For them, the current option is mainly to play in a private insurance market where they are denied coverage entirely if any employees or dependents have been sick or are high-risk. Or, if they can find a plan, their premium rates skyrocket after the first illness, and people are arbitrarily dropped in the time of real need. Small businesses simply cannot buy a good health insurance plan at a fair price and have any confidence that it will still be in force when it's needed.

The result is that in Congress, we are hearing from many voices about the issue of health care. The nation has taken an

interest in this issue and people are demanding action. A Harris poll conducted last year showed that 89 percent of Americans thought our health system needed fundamental change. Small business groups are telling us their problems and asking for our help. And proposals have come from many quarters -- from conservative physician groups to progressive physician groups, from the health insurers to national business leaders.

Perhaps the most promising and important work is being done by a very unique commission charged with developing recommendations for universal access to health care. The Pepper Commission is composed of Democrats and Republicans who serve on several of the key Congressional committees that will consider any health insurance legislation. After many hearings and briefings around the country, there is broad agreement on the existence and extent of the health access problem. And while it may not be as easy to come up with a solution, I hope that what we do adopt will include an employer mandate similar to the Basic Health Benefits bill which I have introduced with Senator

Kennedy. There is no question that this is one of the basic frameworks at which the commission is looking.

The bottom line is that the idea of requiring employers to provide health benefits is no longer an obscure Congressional proposal. The State of Massachusetts, while off to a rocky start, has implemented a universal access program that requires employer participation. The State of Hawaii is many years into its successful experiment with mandating employee health benefits. And their efforts have not escaped the notice of other states. My own state of California is currently in the midst of serious negotiations to develop a universal access program that would be based on employer responsibility for their workers.

Let me go over some of the key provisions of the Basic Health Benefits for All Americans Act (H.R. 1845), which would cover both the 24 million working uninsured, and the 12 million who have no connection to the work force and are not currently eligible for Medicaid. This proposal requires:

- employers to provide a minimum set of health benefits to all their workers;
- everyone not covered by the employment system or by Medicare would be covered under an expanded Medicaid program;
- Medicaid would be modified to improve access to qualified and better-paid providers;
- abuses in the health insurance industry that deny coverage or strip people of coverage they were paying for would be eliminated.

It is my hope that we can build on the present system to achieve these goals:

- universal comprehensive coverage for everyone,
- simplified and more efficient administration,
- fair and progressive financing.

There would still be a role for self-insurance under my plan. If

they chose, under the Kennedy-Waxman proposal, companies would still be able to provide their own form of the basic benefits package.

We can not predict how quickly action on these and other access proposals will be completed. But we will begin. And while we move forward on broad reform, we will also continue the step-by-step process of considering and passing individual health initiatives. In 1989 we made some progress in expanding the Medicaid program to more pregnant women and children. But we need to do more. During the campaign, President Bush committed to covering pregnant women and infants to 185 percent of poverty, and all poor children. I want to help him keep his commitment. We also need to do more to provide long-term care services in the home and community of the elderly and people with mental disabilities. No one should be forced into nursing homes or institutions because they lack access to more appropriate and cost-effective services where they live.

As Americans become more aware of the responsibility they can take in maintaining good health, I also expect to see a much-needed return to cost-effective prevention and health promotion programs. Every dollar spent on prevention will save many more dollars otherwise lost on more expensive treatment services, illness and disability. No pregnant woman should be without prenatal care, and no child should go unimmunized. We're already seeing widespread support for the idea that alcohol, drug abuse, and mental health services can help people sustain healthy and productive lives.

Finally, our health system faces its biggest challenge from the problems created by the AIDS epidemic. This disease is rapidly working its way into disadvantaged populations that traditionally have little access to healthcare. We must improve our education and research efforts, and now that we can help those who are HIV-positive with early intervention treatments, we must increase our counseling and testing efforts to bring more people into treatment early enough in the disease to make a

difference. Most Medicaid programs do not assist those infected until they are so sick that any preventive efforts come late. The challenge for private insurers and self-insurers is to lead the way in providing early intervention treatments. It is good business and good public policy not to wait until people are irreparably disabled by the disease to begin treating them.

There are many pressures on our health system, and many problems that will take the creativity and cooperation of all Americans to solve. I look forward to working more closely with you and your organization as we continue to address these issues and work towards providing access to quality health care for the whole nation.